

JUSTIFICATION SHEET

FINAL

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO EMPLOYMENT SECURITY.

PURPOSE: To appropriate \$20 million in Reed Act funds to improve the services of the unemployment insurance (UI) and workforce development (WDD) divisions through information technology upgrades, to expand employment services to the unemployed to the State's 51 public libraries and community colleges, and to provide additional funding to the local workforce investment boards to improve employer outreach and services, labor force pool expansion, capacity building, and to fund some shared costs for the operations of the one-stop career centers.

Additionally, the purpose of this bill is to also conform to the provisions of P.L. 107-147, Temporary Extended Unemployment Compensation Act of 2002 (TEUCA) signed by the President on March 9, 2002. On March 13, 2002, an \$8 billion Reed Act distribution was made to the states' accounts in the Unemployment Trust Fund. Hawaii received approximately \$31 million and, in accordance with federal law, may use this money to pay Unemployment Insurance (UI) benefits and to pay for the administration of the UI and public employment systems provided that appropriation is made by the state legislature.

MEANS: Amend section 383-123(b) and (c), Hawaii Revised Statutes.

JUSTIFICATION: The department of labor and industrial relations received \$31 million in federal Reed Act funds in 2002. The department has been utilizing these funds to ensure the solvency of the UI trust fund and to help lower the employer tax assessment.

LBR-07(05)

There is a current need to improve the efficiency of services provided by UI and WDD. Services will be greatly improved by upgrading the computer systems and software utilized by UI and WDD to enhance the efficiency of processing unemployment insurance claims and to ensure the effectiveness of job search, job training, and placement services offered by the state. It would also allow the department to institute programs that will allow for direct deposit of claimant benefits and to allow for employers to pay their taxes online.

Additionally, due to Hawaii's low unemployment rate, federal funds to the State and local workforce investment boards have been substantially reduced. Providing additional funding to the local areas will ensure improved employment services to the unemployed and to Hawaii's employers.

The conformity amendment is needed because the requirements for the Reed Act funds distributed under the TEUCA in 2002 differ from the prior special Reed Act distribution made in 2002 under the Balanced Budget Act (BBA) of 1997. Under the BBA, Reed Act moneys were restricted to UI administration purposes only.

The TEUCA distribution was unique in that it was for a set dollar amount made without regard to the statutory ceilings in the federal accounts and removed any time limitations. Most importantly, it eliminated the restriction to UI administrative use only so that Reed Act moneys can also be used to pay for UI benefits as well as the administration of its system of public employment offices.

Section 303(a)(8) of the Social Security Act requires that state laws include provisions for the expenditure of all moneys. Thus, section 383-12, HRS, must be amended to conform to the TEUCA Reed Act amendments before Hawaii can use the distribution of \$31 million.

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Impact on the public: None.

Impact on the department and other
agencies: None.

GENERAL FUND: None.

OTHER FUNDS: Federal.

PPBS PROGRAM
DESIGNATION: LBR-111 and LBR-171.

OTHER AGENCIES
AFFECTED: None.

EFFECTIVE DATE: Upon approval.